

Fiscal Year 2014-2015

Proposed Budget Overview





April 29, 2014

- Lee Elliott
- City Manager Pro-Tem

Presentation of Proposed Fiscal Year 2014-
2015 Budget to citizens and Newberg
Budget Committee



Overview

- 1. Budget Committee Role
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Budget Committee Role

- Consists of City Council and equal number of appointees (citizens)
- Primary roles are to:
 - Hear the budget message
 - Hold public meetings
 - Hear public comments/input
 - Review and discuss the Proposed Budget
 - Approve the budget



What is a Budget?

- A legal document: makes lawful appropriations which provides the City the authority to spend public money
- A financial plan for the City for 1-fiscal year which is based on estimates of revenues and expenditures
- Fiscal Year 2014-2015 begins July 1, 2014 and ends June 30, 2015
- An internal control mechanism
- Referenced by city auditors
- A policy document which funds the plans and priorities of the City
- A public communication document which expresses the City's goals to its citizens



Budget Process

- The Budget Officer (City Manager) prepares the Proposed Budget in consultation with City staff
- The Budget Committee reviews, revises and approves the budget
- Once approved, the budget is referred to the City Council
- The City Council holds a public hearing, can make further revisions and adopts the budget
- It now becomes the Adopted Budget



Economic Outlook

- **Positives:**

- Unemployment is declining, ~1% since same time last year for Yamhill County
- US and Oregon GDP is improving
- State revenues are increasing

- **Less Positive, but positive:**

- Building permits are marginally increasing
- Water customers are marginally increasing
- Franchise fees are marginally increasing

- **Challenges:**

- Inflation is increasing (CPI)
- Property Tax is not keeping pace with inflation



General Fund/Enterprise Funds/Special Revenue Funds

- The **General Fund** is financed primarily by property taxes.
- The General Fund is primarily comprised of police, fire and library.



Enterprise Funds

- Enterprise Funds are comprised of water, wastewater and stormwater
- They are to be run like a private sector business
- Financed by direct consumption-rates
- Are adjusted by Citizens' Rate Review Committee recommendations and City Council approval every 2-years



Special Revenue Funds

- These are comprised of streets, 911 and Public Safety Fee
- Revenue are provided from taxes and fees



General Fund Fiscal Plan: Property Tax Challenges

- The General Fund is a service based operation, high personnel percentage of budget 76%, unlike public works which has a higher percentage of projects/equipment costs which can be reduced during lean times. The General Fund, to reduce costs, you have to lay employees off
- Property Tax provides for approximately 3/5ths of our revenue for the General Fund.
- For the current FY, we expected our property tax to increase 2%. It increased 1.01%.
- For the same period of time, inflation was 2.3%!



General Fund Overview: Property Tax Challenges

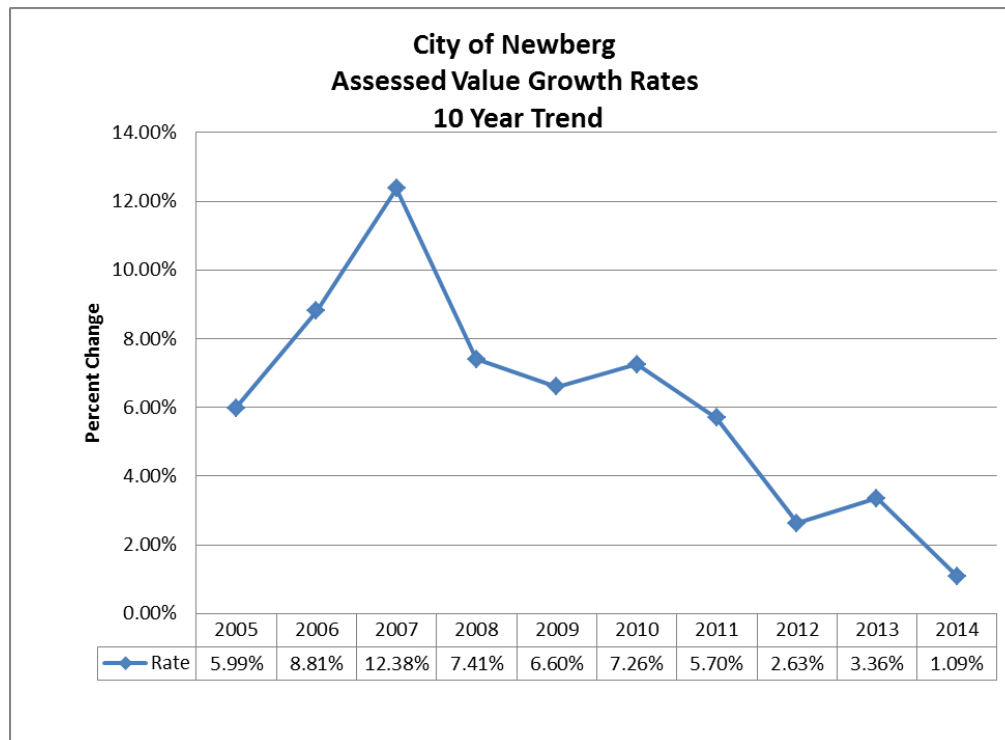
- <http://youtu.be/Z8DAjxQeyXA>



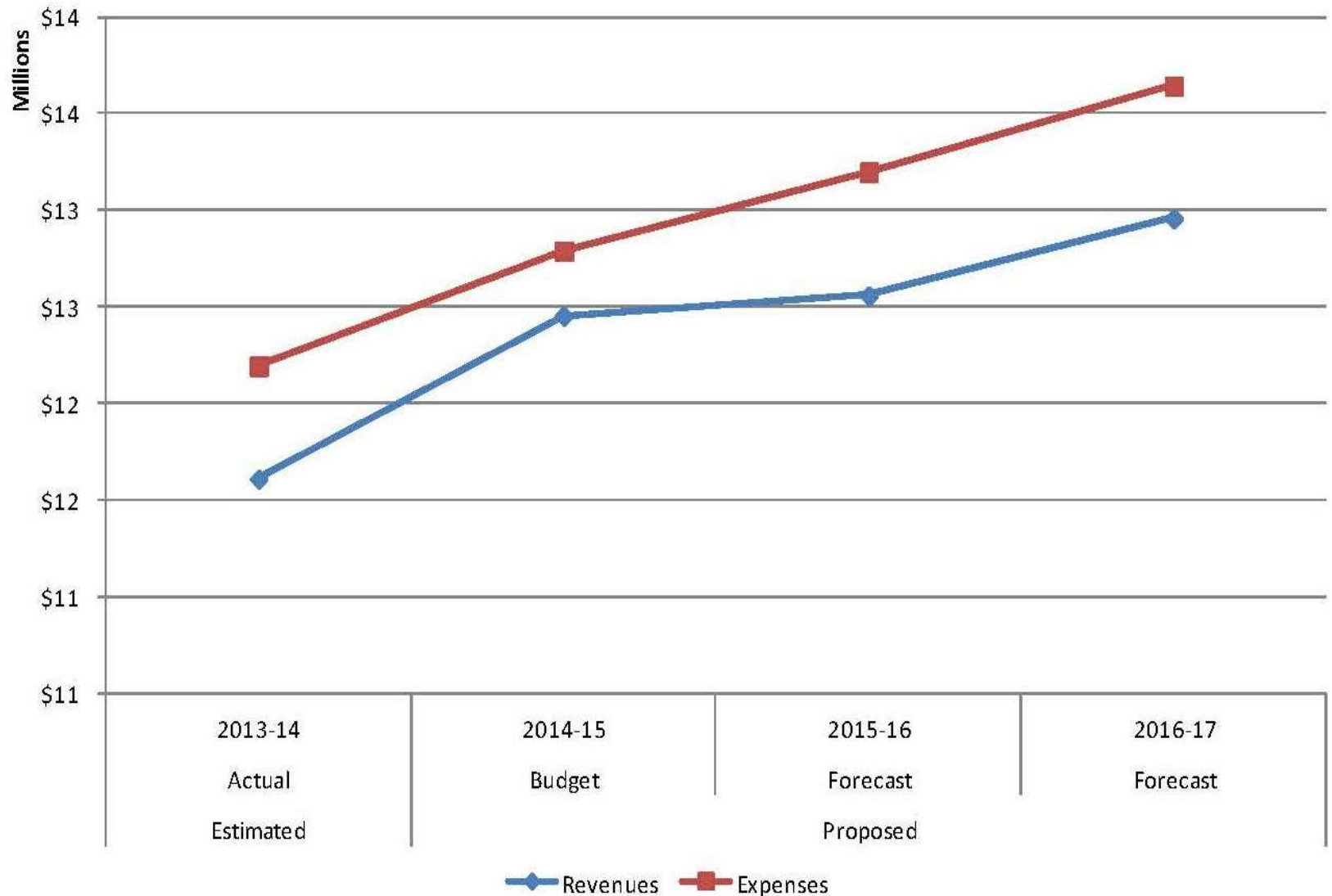
Some charts to show General Fund challenges

- The next 2-slides will graphically show the General Fund challenge

Assessed Value Growth Trend



General Fund - Forecasted Revenues vs Expenses





General Fund Fiscal Plan

- We entered the “Great Recession” later than other governmental entities which are reliant upon income and sales taxes. These revenue sources more quickly react to economic downturns. Property taxes are slower to respond to downturns.
- We are coming out of the “Great Recession” later due to property taxes responding later to upturns.
- Last 3-budgets have been very conservative, deferring outlays and reducing employee numbers, and have generated small surpluses.
- Deferments (i.e. need over \$800,000 this and next year for IT) can no longer be delayed and reduction in employee numbers will effect quantity and quality of services
- We are also falling behind in compensation with our competitors-public and private. We need more employees and need also to remain competitive with compensation.



General Fund Fiscal Plan

- After discussing with Councilors and department heads, we have developed a plan to not decrease services dramatically
- This is to be achieved by taking a “moderate” fiscal approach comprised of
 - 1. Strategic **reductions**: reduce areas which generate structural deficits (fee based services being subsidized by taxes, or marginalize the subsidization)
 - 2. Moderate Revenue **enhancements**
 - 3. Moderate use of our **reserves**



Why use reserves?

- Reserves are used for **dramatic** fiscal issues, i.e. an earthquake aftermath
- or to help **smooth out** revenue/economic downturns (smooth out the trough periods of the business cycle) so as to not reduce public services substantially
- Local economy is beginning to recover, reduce services, would harm local recovery
- The use of reserves will “buy” us time for revenues to increase



General Fund Overview

- **Strategic Reductions**

- End Assistant City Manager position, hire Public Works Director, Human Resource Director directly reports to CM and Emergency Operations moves to Fire Department: saves \$44,000
- Not funding animal services position, cease at end of FY 2013-2014, Yamhill County is mandated statutorily to provide animal control services: saves \$80,000
- Not funding Economic Development Coordinator position: saves \$90,000
- Not funding Deputy Recorder: saves \$12,000



General Fund Overview

- **Revenue Enhancements:** revenues are predicated upon Council taking action before FY 2014-2015 begins
- TLT adjusted from 6% to 9%
- Adjust planning fees 7.5%
- Adjust Public Safety Fee \$2.67
- Adjust EMS Fee by last 2-years' CPI
- Adjust Waste Management Franchise Fee from 3% to 5%
- Establish a Stormwater Franchise Fee of 5%



General Fund Overview

- **Reserves**

- Use \$335,207 of reserve to balance General Fund in FY 2014-2015
- Which is ~14% of our beginning reserve balance July 1, 2014.



Enterprise Fund Overview

Water

- Well #8 is planned to be upsized to double its current capacity
- Continue to pursue the springs divestiture discussions

Wastewater

- Implement I&I reduction plan
- Improve the headwork walls and lift station at the Wastewater Treatment Plant



Streets Overview

- We will be internally performing crack sealing. By performing internally, this will enable us to maximize our limited street funds. Crack sealing also slows down the depreciation of this asset.
- Overlays: 2,000 feet of N. Springbrook and Villa Road cumulatively
- We will be servicing HWY 99 By-pass debt this fiscal cycle
- This summer-our street evaluation will be completed
- Revenue options need to be explored



Stormwater Overview

- A new stormwater maintenance technician is needed to maintain our existing and forth-coming stormwater infrastructure due to TMDL Plan.



Summary

- Attempting to keep General Fund services at an adequate level
- Attempting to diversify tax/fee structure to enable our revenue growth to catch up with our expenditure/fixed cost growth
- Attempting to retain and be able to attract high quality employees
- Becoming more proactive in water, wastewater, stormwater and streets
- Attempting to be able to adequately implement our organization's motto, **Serious about service!**

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